Audit of Timber Harvesting and Road Construction, Maintenance and Deactivation

Weldwood of Canada Ltd.

Forest Licence A20017

FPB/ARC/39

March 2001

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Report from the Board

A. Report from the Board

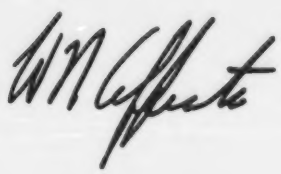
This is the Board's report on a compliance audit of Forest Licence A20017, held by Weldwood of Canada Ltd. (Weldwood). The operating area for this licence is located between 150 Mile House and McLeese Lake and east of Highway 97 to Horsefly and Likely.

The audit examined Weldwood's field activities and relevant plans, for the period of June 1, 1999 to June 15, 2000, related to timber harvesting, road construction, maintenance and deactivation, and construction and maintenance of bridges.

The Report from the Auditor (Part C) provides further details on the location of FL A20017 (see attached map), the scope of the audit, and the audit findings. The Report from the Auditor is based on the audit procedures described in Part B.

Conclusion

The Board considered the Report from the Auditor along with supporting evidence and representations from the auditee. The Board affirms the auditor's opinion that Weldwood's forest practices and related operational planning complied with Code requirements in all significant respects.



W.N. (Bill) Cafferata
Chair, Forest Practices Board

March 20, 2001

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Forest Practices Board Compliance Audit Process

B. Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government's and agreement holder's compliance with the *Forest Practices Code of British Columbia Act* and regulations (the Code). The Board is given the authority to conduct these periodic independent audits by section 176 of the Act. Compliance audits examine forest planning and practices to determine whether or not they meet Code requirements.

The Board undertakes both "limited scope" and "full scope" compliance audits. A limited scope audit involves the examination of selected forest practices (e.g., roads, or timber harvesting, or silviculture) and the related operational planning activities. A full scope audit examines all operational planning activities and forest practices.

The Board determines how many audits it will conduct in a year, and what type of audits (limited or full scope), based on budget and other considerations. The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's Small Business Forest Enterprise Program (SBFEP) which is administered by Ministry of Forests district offices. Selection of agreement holders and district SBFEPs for audit is done randomly, using a computer program, to ensure a fair, unbiased selection of auditees.

Audit Standards

Audits by the Forest Practices Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code based on criteria derived from the *Forest Practices Code of British Columbia Act* and its related regulations. Audit criteria are established for the evaluation or measurement of each practice required by the Code. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board selects an audit and decides on the scope of the audit (limited scope or full scope), the staff and resources required to conduct the audit and the period covered by the audit are determined. Board staff also meet with the party being audited to discuss the logistics of the audit before commencing the work.

All the activities carried out during the period subject to audit are identified; for example, harvesting or replanting sites and building or deactivating road sections during the audit period. The items that make up each forest activity are referred to as a "population." For example, all sites harvested form the "timber harvesting population." All road sections constructed form the "road construction population." The populations are then sub-divided based on factors such as the characteristics of the sites and the potential severity of the consequences of non-compliance on the sites.

The most efficient means of obtaining information to conclude whether there is compliance with the Code is chosen for each population. Because of limited resources, sampling is usually relied upon to obtain audit evidence, rather than inspecting all activities.

Individual sites and forest practices within each population have different characteristics, such as the type of terrain or type of yarding. Each population is divided into distinct sub-populations on the basis of common characteristics (e.g., steep ground vs. flat ground). A separate sample is selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to the sub-population where the risk of non-compliance is greater.

Audit work in the field includes assessments from helicopters and intensive ground procedures such as the measurement of specific features like road width. The audit teams generally spend two to three weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code is more a matter of degree than absolute adherence. Determining compliance requires the exercise of professional judgment within the direction provided by the Board.

Auditors collect, analyze, interpret and document information to support the audit results. The audit team, composed of professionals and technical experts, first determines whether forest practices are in compliance with Code requirements. For those practices considered to not be in compliance, the audit team then evaluates the degree to which the practices are judged not in compliance. The significance of the non-compliance is determined based on a number of criteria including the magnitude of the event, the frequency of its occurrence, and the severity of the consequences.

As part of the assessment process, auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that a non-compliance event, or the accumulation and consequences of a number of non-compliance events, is not significant and is not considered worthy of reporting.

Significant non-compliance – where the auditor determines that the event or condition, or the accumulation and consequences of a number of non-compliance events or conditions, is significant and is considered worthy of reporting.

Significant breach – where the auditor finds that significant harm has occurred or is beginning to occur to persons or the environment as a result of the non-compliance. A significant breach can also result from the cumulative effect of a number of non-compliance events or conditions.

Identification of a possible significant breach requires the auditor to conduct tests to confirm whether or not there has been a breach. If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Ministers of Forests, Energy & Mines, and Environment, Lands & Parks.

Reporting

Based on the above evaluation, the auditor then prepares the "Report from the Auditor" for submission to the Board. The party being audited is given a draft of the report before it is submitted to the Board so that the party is fully aware of the findings. The party is also kept fully informed of the audit findings throughout the process, and is given opportunities to provide additional relevant information and to ensure the auditor has complete and correct information.

Once the auditor submits the report, the Board reviews it and determines whether any party or person is potentially adversely affected by the audit findings. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report to the public and government. The representations allow potentially adversely affected parties to present their views to the Board.

At the discretion of the Board, representations may be written or oral. The Board will generally offer written representations to potentially adversely affected parties, unless the circumstances strongly support the need for an oral hearing.

The Board then reviews both the report from the auditor and the representations before preparing its final report, which includes the Board's conclusions and, if appropriate, recommendations.

If the Board's conclusions or recommendations result in newly adversely affected parties or persons, additional representations would be required.

Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.

Report from the Auditor

C. Report from the Auditor

1.0 Introduction

As part of the Forest Practices Board's 2000 compliance audit program, Forest Licence A20017 was selected for audit from the population of major forest licences within the Cariboo Forest Region. The forest licence, held by Weldwood of Canada Ltd. (Weldwood), was selected randomly and not on the basis of location or level of performance.

The operating area of the forest licence is between 150 Mile House and McLeese Lake and east of Highway 97 to Horsefly and Likely (see attached map).

The forest licence has an allowable annual cut of 504,062 cubic metres. The amount harvested during the audit time frame was approximately 600,000 cubic metres.

2.0 Audit Scope

The audit examined Weldwood's planning and field activities related to timber harvesting and construction, maintenance and deactivation of roads for the period June 1, 1999, to June 15, 2000. This involved examining operational plans, such as forest development plans[1] and silviculture prescriptions,[2] which supported the activities examined during the audit period.

These activities were assessed for compliance with the Forest Practices Code of British Columbia Act and related regulations (the Code).

The activities carried out by Weldwood during the audit period, and therefore subject to audit, were:

- harvesting of 87 cutblocks
- harvesting of 86 areas less than one hectare in size to control or salvage trees affected by mountain pine beetle
- construction of 41 road sections totaling 94.9 kilometres
- obtaining approvals for the layout and design of 18 road sections totaling 77.5 kilometres
- maintenance and seasonal deactivation of approximately 669 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- construction of 3 bridges and maintenance of 40 bridges
- permanent deactivation of 29 road sections totaling 54.7 kilometers

Section 3 describes the audit of these activities and the results. The Board's audit reference manual, Compliance Audit Reference Manual, Version 4.1, May 2000, sets out the standards and procedures that were used to carry out this audit.

3.0 Audit Findings

Planning and practices examined

The audit work on selected roads and cutblocks included ground-based procedures and assessments from the air using helicopters. The audit examined the following activities:

- 40 cutblocks harvested during the audit period and 14 areas less than one hectare harvested under exemptions from silviculture prescriptions
- construction of 18 road sections totaling 32 kilometres of road
- road layout and design of 10 road sections totaling 57.6 kilometres where construction activity had not commenced
- maintenance and seasonal deactivation of approximately 179 kilometres of road
- construction of 3 bridges and maintenance of 13 bridges
- permanent deactivation of 11 road sections totaling 31 kilometres

In addition, three cutblocks were examined where harvesting activity had not commenced. The silviculture prescriptions for the three cutblocks were approved during the audit period.

Findings

The audit found that Weldwood complied, in all significant respects, with the timber harvesting, and road construction, maintenance, and deactivation requirements of the Code.

Although the audit found that the road construction practices of Weldwood complied in all significant respects, there was one area where improvement is required. This involves the construction of a section of road in steep terrain above a fish stream. The construction of this section was achieved by building a "tote road" - for the purposes of piloting the road. As a result of an over-steepened fill-slope, some minor slumping occurred below the tote road.

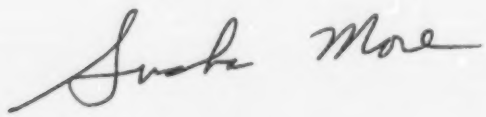
As there is no distinction in the Forest Practices Code between tote roads and other roads, the expectation is that key sections of the road construction requirements should apply. This requires the avoidance of over-steepened fill slopes in steep terrain.

4.0 Audit Opinion

In my opinion, the timber harvesting and road construction, maintenance, and deactivation activities carried out by Weldwood of Canada Ltd. on Forest Licence A20017, from June 1, 1999, to June 15, 2000 were in compliance, in all significant respects, with the requirements of the Code as of June 2000.

In reference to compliance, the term "in all significant respects" recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

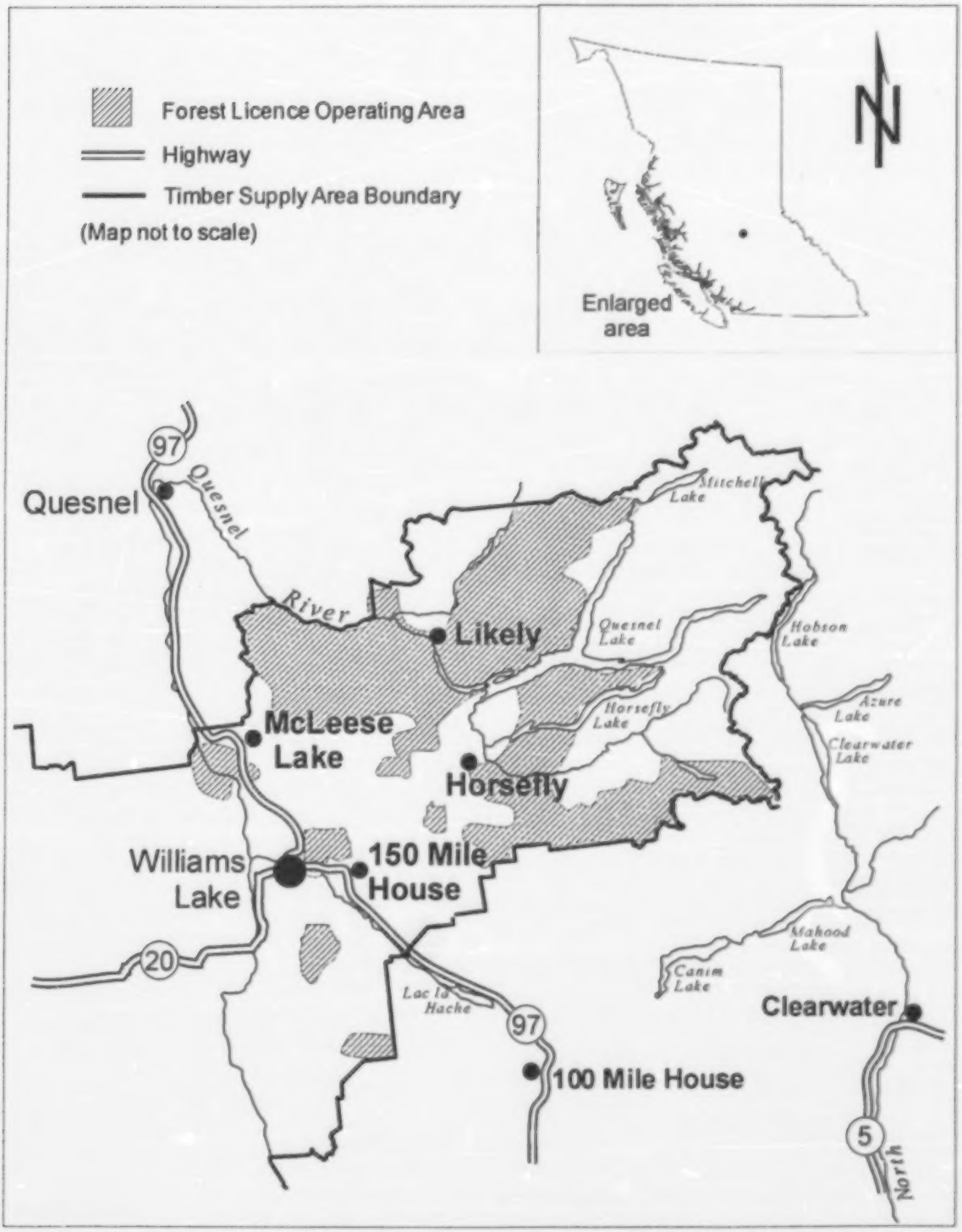
Sections 2 and 3 of this report from the auditor describe the basis of the audit work performed in reaching this above opinion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient road and timber harvesting practices to support an overall evaluation of compliance with the Code.



Sucha More, CA
Auditor of Record
Victoria, British Columbia

January 3, 2001

Audit of Weldwood of Canada Ltd.
Forest Licence A20017



- A forest development plan is an operational plan which provides the public and government agencies with information about the location and scheduling of proposed roads and cutblocks for harvesting timber over a period of at least five years. The plan must specify measures that will be carried out to protect forest resources (including water, fisheries, and other forest resources). It must also illustrate and describe how objectives and strategies established in higher level plans, where they have been prepared, will be carried out. Site specific plans are required to be consistent with the forest development plan.

- A silviculture prescription is a site-specific operational plan that describes the forest management objectives for an area to be harvested (a cutblock). The silviculture prescriptions examined in the audit are required to describe the management activities proposed to maintain the inherent productivity of the site, accommodate all resource values including biological diversity, and produce a free growing stand capable of meeting stated management objectives. Silviculture prescriptions must be consistent with forest development plans that encompass the area to which the prescription applies.